

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
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FM AMEMBASSY BONN
TO SECSTATE WASHDC 7776
INFO AMEMBASSY PRAGUE
AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
USMISSION USBERLIN
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMEMBASSY PARIS
AMEMBASSY LONDON
USMISSION USNATO

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E.O. 11652 N/A
TAGS: EEWT, GW, CZ
SUBJECT: ECONOMIC ASPECTS OF HUSAK VISIT TO FRG
APRIL 10-13

REF: BONN 6874

1. BEGIN SUMMARY: VISIT DID NOT RESULT IN ANY
SIGNIFICANT ECONOMIC DEVELOPMENTS. JOINT ECONOMIC
COMMISSION WAS RAISED TO MINISTER LEVEL. DISCUSSIONS
WERE HELD IN VERY FRIENDLY ATMOSPHERE. DOUBLE
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TAXATION AGREEMENT WAS NOT SIGNED. END SUMMARY.

2. THE MEETINGS BETWEEN SCHMIDT AND HUSAK DID NOT
RESULT IN ANY MAJOR ECONOMIC DEVELOPMENTS, BUT WERE
RATHER AN AFFIRMATION OF PRESENT ECONOMIC TIES AND
AN EXPRESSION OF THE INTENSION TO INTENSIFY THOSE
TIES IN THE FUTURE. NEITHER SIDE EXPECTED ANY MAJOR

ECONOMIC STRIDES DURING THE VISIT.

3. HUSAK STRESSED WILLINGNESS OF CZECH GOVERNMENT TO INTENSIFY INDUSTRIAL COOPERATION AND NEED FOR BOTH GOVERNMENTS TO EXERT MORE INFLUENCE IN THIS REGARD. ACCORDING TO AN OFFICIAL OF THE FRG ECON MIN THE RAISING OF THE JOINT ECONOMIC COMMISSION TO MINISTER LEVEL WAS A RESULT OF CZECH DESIRE TO INCREASE THE POSITIVE IMPACT OF EACH GOVERNMENT ON FRG/CSSR ECONOMIC COOPERATION. THE GERMANS ARE AWARE THAT THIS WILL NOT HAVE AN IMMEDIATE EFFECT AND THAT ECONOMIC CONDITIONS ARE THE PRIMARY DETERMINANTS OF ECONOMIC COOPERATION.

4. THE ATMOSPHERE OF THE TALKS IN THE ECONOMIC REALM WAS FRIENDLY AND CORDIAL. THE CZECHS MENTIONED THE TRADE DEFICIT AND THEIR DESIRE TO INCREASE EXPORTS OF MACHINERY; THE GERMANS POINTED OUT THAT, IN ORDER TO INCREASE EXPORTS TO THE WEST, CZECHOSLOVAKIAN ECONOMY MUST BECOME MORE FLEXIBLE. HOWEVER, BOTH SIDES WERE AWARE OF EACH OTHER'S CONCERNS AND THERE ARE NO MAJOR PROBLEM AREAS HINDERING BI-LATERAL ECONOMIC RELATIONS. THERE WERE NO REQUESTS FOR CREDITS OR TRADE CONCESSIONS FROM THE CZECHS.

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5. THE DOUBLE TAXATION AGREEMENT IS STILL BEING HELD UP BY SOME TECHNICAL DETAILS. IN THE JOINT COMMUNIQUE BOTH SIDES ANNOUNCED THEIR INTENTION TO SIGN IT.

6. COMMENT: THE FACT THAT CZECHOSLOVAKIA IS HIGHLY INDUSTRIALIZED BUT POOR IN TERMS OF DOMESTIC RAW MATERIALS, VIRTUALLY ELIMINATES THE POTENTIAL FOR HUGE FRG TURN-KEY PROJECTS. HOWEVER, ECONOMIC TIES, PARTICULARLY IN RELATIVE TERMS FOR CZECHOSLOVAKIA, ARE CONSIDERABLE. THE FRG IS THE CSSR'S MAIN TRADING PARTNER IN THE WEST. WHILE THIS TRADE IS CURRENTLY NOT CHARACTERIZED BY BIG COOPERATION DEALS, IT IS ALSO NOT PLAGUED BY ANY MAJOR PROBLEMS. THE ECONOMIC ASPECTS OF THE VISIT SHOULD BE VIEWED IN THIS LIGHT. ALL INDICATIONS POINT TO CONTINUED STEP-BY-STEP GROWTH IN TRADE.

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